

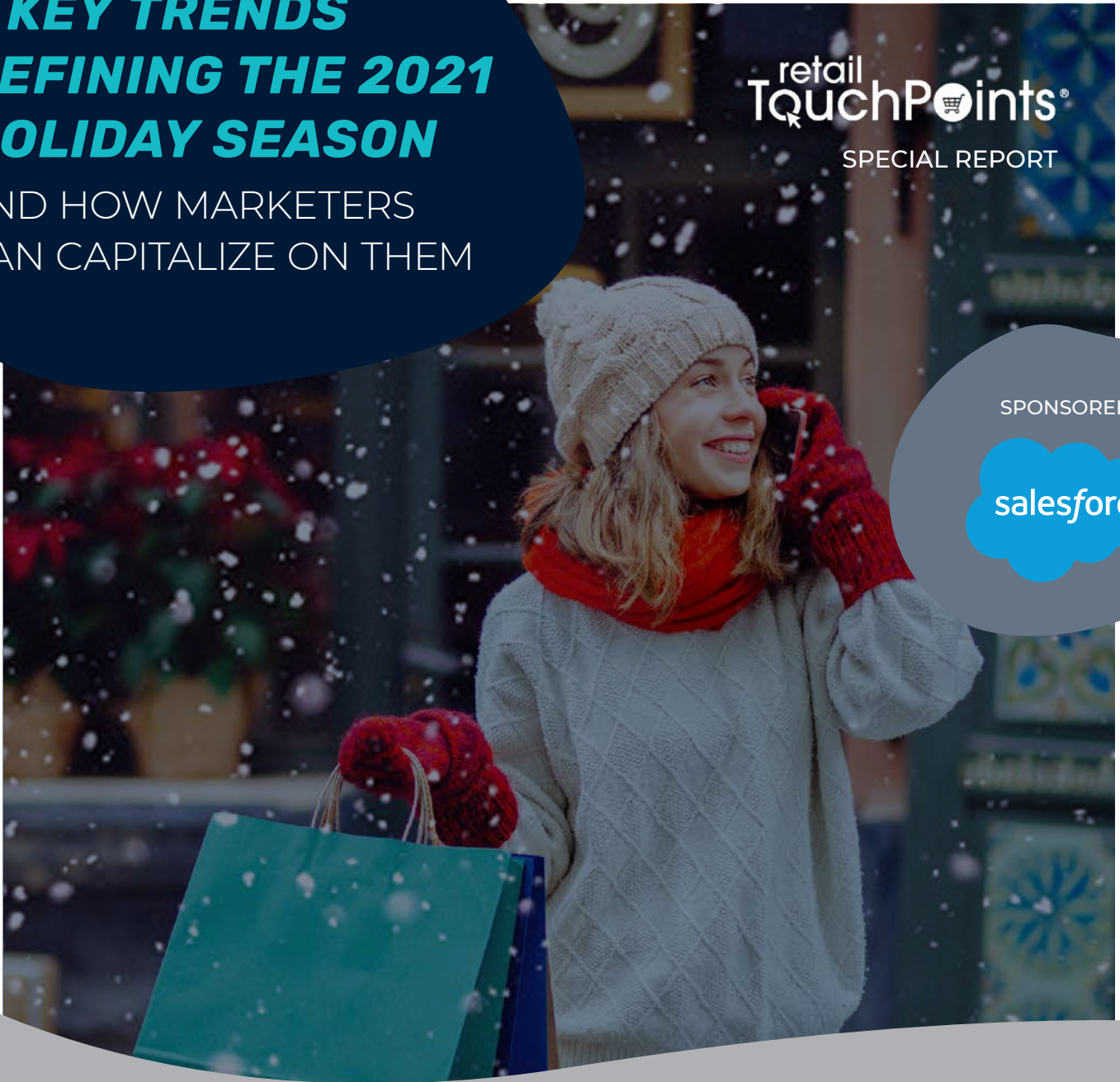
5 KEY TRENDS DEFINING THE 2021 HOLIDAY SEASON

AND HOW MARKETERS
CAN CAPITALIZE ON THEM

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SPECIAL REPORT

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INTRODUCTION

The holiday season has always been prime time for marketers. It's when they're supposed to create magic and delight for shoppers — and generate lots of demand for the business.

But this year the marketing playbook has clearly changed. Instead of a campaign calendar focused on the traditional Thanksgiving-to-New Year's sales season, marketers have had to navigate a holiday season that began as early as October and could extend well into Q1 2022. At the same time, they've had to adapt to a slew of complexities ranging from supply chain problems to consumers still skittish about in-person shopping. As a result, marketers have had to do more extensive and granular planning. And now, as they head closer to the season's final stretch, they also must be ready to adjust and pivot their approaches quickly.

"The big takeaway for this year was 'start sooner than you think,'" said global marketing consultant and author **Tim Parkin**. "Most companies have already well begun their campaigns, but now is the time...to put the fuel in the engine and keep moving forward."

To help marketers successfully navigate this ever-evolving season, experts broke down the five key trends that are driving holiday shopping and offered tips and tactics that can help them maximize results.

HOLIDAY TRENDS DRIVING MARKETING CAMPAIGNS

- 1 Another record year for digital commerce growth →
- 2 Product availability increasingly shaping consumer demand →
- 3 Higher costs across the supply chain →
- 4 Brick-and-mortar stores playing key roles in digital strategies →
- 5 Impacts from the imminent demise of tracking cookies →



TREND 1: DIGITAL GROWTH HITS RECORD RATES AGAIN

In 2020, global digital sales rose **50%** year-over-year, reaching a total of **\$1.1 trillion**, according to **Salesforce**. However, by the end of this year, the company estimates that digital growth will stabilize: ecommerce sales will rise **7%** globally and **10%** in the U.S.

“Obviously digital is not going to grow as quickly as we saw in 2020, but 2021 growth trends are more on par with growth we saw in 2018 and 2019,” said Caila Schwartz, who is a Senior Manager of Consumer Strategy and Insights for Retail and Consumer Goods at Salesforce. “The takeaway is that in addition to growth being on par with past growth, it’s also on top of very significant growth from 2020.”

To capitalize on this digital explosion, Schwartz recommended that marketers harness the biggest traffic drivers for ecommerce: **direct organic channels** and **search**. Additionally, all marketing messaging and campaign activation needs to be aligned between digital channels and the store, according to Robert Brown, Digital Retail Leader at **BDO**: “You have to have alignment with sales and all of the different functions within the business, including logistics,” he said in an interview with *Retail TouchPoints*. “You have to find the right message based on what’s available, what the value proposition is and the advantages of buying from your business.”



TREND 2: PRODUCT AVAILABILITY WILL IMPACT DEMAND GEN PATTERNS

In 2020, retailers had to navigate both the digital surge and store closures, but now logistics challenges and the rising costs of materials are exerting pressure on product availability. Retailers are being forced to navigate port bottlenecks, delivery slowdowns and even labor shortages at the store level.

As a result, up to **40 million** packages worldwide are at risk of being delayed, Schwartz shared. Although this is a **94%** decrease from last year, marketers still need to do their due diligence to keep customers up to speed. In fact, Schwartz noted that at this point, messaging should focus not just on alerting customers about **delivery timelines** but also general **product availability** and **inventory levels across stores**.

“The role of marketing has always been to create demand — to create a ‘why’ or call to action for the consumer that generates interest in products and ultimately converts them,” Brown explained. “But when we look at the demand side, the supply chain side and the connection between those two things today, we have problems. The biggest thing retailers have to be aware of is that when they’re out there creating demand, they have to **align that demand generation activity directly into their supply chain.**”

Frequent communication may help to an extent, but marketers can ease the pain for frustrated consumers by sending **proactive messages offering alternative items** when hot gifts are out of stock. Parkin also recommended that marketers consider ways to offer intangible benefits that still serve the customer, such as setting up **email alerts or digital wait lists** that send updates when products shoppers want are back in-stock. This is a quick, turnkey way for retailers to both gauge demand and continue communication with customers long after the holiday season.



TREND 3: RISING COSTS EXTEND ACROSS THE SUPPLY CHAIN

U.S. inflation hit a **three-decade high** in October 2021, largely due to strong consumer demand and product shortages driven by supply chain snags. The consumer-price index shot up to **6.2%** from a year earlier — the biggest increase since **1990**, according to the Bureau of Labor Statistics. So in addition to having fewer items available for purchase, those that are available are going to be more expensive than they were last year.

Couple these realities with wavering financial sentiment among consumers and still-volatile unemployment numbers, and it's clear marketers will have to strike a careful balance in their campaign messaging. For example, Schwartz noted that retailers with an audience that skews younger or lower income may have difficulty promoting “buy now” messaging without seeming insensitive. However, brands with a more affluent clientele may have a better time with such messaging. “People’s perceived wealth is doing really well, and the stock market is doing really well,” said Schwartz. “It’s a tale of two cities, in a way.”



TREND 4: THE STORE IS A CRITICAL PART OF DIGITAL STRATEGY

According to Salesforce projections, **six in 10** online orders will be influenced by the brick-and-mortar store, which means synergy between all channels will be key for marketers through the end of the season — and beyond. Channels marketers should double down on include:

- **Fulfillment:** BOPIS and curbside are the stars of the holiday shopping season, especially as consumers try to maximize both efficiency and safety. In fact, the vast majority (**83%**) of consumers plan to do at least half of their holiday shopping online this year, according to a survey from **TransUnion**. Marketers can and should close the omnichannel loop by promoting their in-store fulfillment services via their digital properties. The benefits of this approach are two-fold: It delights customers because they're able to get products quickly and efficiently, and it helps retailers sell-through in-store inventory and bypass possible delivery delays.
- **Service:** Brands and retailers are trying to add the “human” element to digital shopping by giving associates access to tools and platforms that allow them to connect with online consumers. Marketers can promote and amplify these services to their digital database, especially among consumers who are spending more time and money online.

“The big idea is: how do you save the sale?” Schwartz said. “Not everyone is going to get what they want this year, so it’s all about how you can utilize the tools and inventory you have to make recommendations that help save that sale.”

- **Social:** Store associates can be retailers’ most powerful brand advocates. Marketing teams should explore ways to market to and through their store associates and encourage them to share content with their audience. Livestreaming and story-driven content across Instagram, TikTok and Snapchat can then be reused and repurposed across branded properties, creating an ongoing cycle of community activation.

“TikTok and influencers are going to play a bigger role to accelerate transactions,” Parkin said. “It will take time to set up a strategy but if you do it well, it can have a tremendous impact. I believe you can scale people a lot easier than you can scale an ad platform. There are so many different influencers that if you think creatively, you can find ways to serve so many different personas.”

All experts acknowledged the power of tapping store employees as influencers, especially if the goal is to drive awareness of in-store services and inventory availability.

- **Mobile:** Shoppers are using their personal mobile devices to research and purchase items — even when they’re in stores. Marketers need to consider how they can use mobile alerts, whether via text messaging, push notifications or their apps, to drive people into the store and guide them through the experience, according to Parkin.



TREND 5: THE COOKIE'S ABOUT TO CRUMBLE

Google's decision to delay the elimination of third-party cookies caused a collective sigh of relief among marketers. But new privacy policies among players like Apple mean that marketing teams still must focus on ways to win consumer opt-ins and engage with them in more authentic, reciprocal ways.

Through the rest of the holiday season, experts believe brands should emphasize organic engagement across key channels, including social media, email and even loyalty programs.

- **Social Media:** While usage of commerce-ready apps like Instagram, TikTok and Pinterest is on the rise, actual transactions taking place through these platforms still represent a very small percentage of online sales, Schwartz noted. She believes marketers should capitalize on social media's ability to inspire and educate audiences in a more authentic and creative way: "I foresee more of an emphasis on organic social, such as influencers, channel engagement, user-generated content and all those relationship-building tactics."

As retailers engage with consumers across social media, Brown recommended that marketing teams take note of consumer trends, insights and feedback to determine how they can apply this data to future messaging and campaigns. "There's a conversation happening out there without you, the brand or retailer," he said. "How do you pick off that stream of conversation? How do you apply those various signals? These signals can be used to help retailers identify what conversations are happening and how they can respond."

- **Email:** The digital inbox has always been a critical point of entry for brands and retailers, especially during the holiday season. But Parkin noted that with so many factors adding complexity and uncertainty to the shopping experience, retailers need to use the inbox to provide *timely, helpful* updates to consumers.

"Although we've seen a shift toward text messaging, email marketing is essential," Parkin said. "You have to have sequences and follow-ups in place to engage with people who are interacting with your brand. **Remarket to them, capture demand and drive them further down the funnel.**" But Parkin encouraged marketers to think beyond discounts, which have been a standard tactic for driving holiday sales: "It could be a bonus, a free trial or some sort of bundle of products. Think of ways to offer a different type of value in order to stand out."

- **Loyalty Programs:** As marketers look toward a cookie-less future, they are thinking of how they can gather more first- and zero-party data that they can use to power their future outreach. Schwartz pointed to loyalty programs as a valuable way to win consumer opt-ins and gradually gather more granular information about their wants, behaviors and preferences. The holiday season is prime time to promote these programs and spotlight the benefits that will get consumers to engage all year round.



GOING BEYOND THE NEW YEAR: HOW MARKETERS CAN CAPITALIZE ON THE EXTENDED SEASON

This year, we saw holiday shopping begin earlier than ever — and experts believe that demand will continue far past the typical “end date” of the season. Experts recommended that marketers should develop a **longer-term nurture strategy** that engages with different personas interested in post-holiday gifting.

One persona group consists of consumers who received a gift card: “We’ve heard the number-one item that will be given out for Christmas this year is gift cards,” Brown noted. “Because there’s so much unknown out there, it’s going to be a cash-rich opportunity for retailers.”

Another key audience is consumers who are delaying gift buying due to the pandemic. “Many holiday get-togethers simply are not what they used to be and some people are delaying getting together,” Parkin said. “That’s going to delay the gift-giving cycle, which means the holiday season is going to be elongated much more than normal, so retailers can capture more of that demand.”

Parkin added that the gradual economic recovery in the U.S. also may elongate the season, especially as consumers feel more confident in their financial situations.

“In October we added **531,000** new jobs to the U.S. economy, so I don’t think the demand is going to stop,” Parkin noted. “Post-holiday is going to be even more important now, so we can’t be so narrow-minded and focus on the holiday itself. Think about what happens next, what consumers want to do and how you can set the stage for success over the next quarter.”



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